



**S P E E D**

Support for Private Enterprise Expansion & Development

## **SPEED Quarterly Performance Monitoring Report**

**July 1 through September 30, 2001**

*Submitted by:*

**Chemonics International Inc.**

*In collaboration with:*

**Crimson Capital Corporation, Inc.  
J.E. Austin Associates, Inc.**

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## **SPEED Project Quarterly Highlights**

The USAID Support for Private Enterprise Expansion and Development (SPEED) project supports economic growth in Uganda through the development and expansion of sustainable business opportunities for micro, small, and medium enterprises (MSMEs), with special emphasis on rural areas.

In its work, SPEED follows a sector focus approach, targets market-linked business opportunities, uses the project as the marketplace, and collaborates with partner organizations to add value. The project has three main technical goals: building business capacity, expanding financial services, and improving the business environment.

During the period of July 1 to September 30, 2001, the SPEED project:

- Concluded negotiations with DFCU Leasing to open three upcountry branches, to provide leasing services to local businesses.
- Created a framework for a loan guarantee program with the Development Credit Authority (DCA) and USAID to increase financial services available from seven participating banks.
- Conducted a lending training and training of trainers programs for Uganda's top commercial banks interested in developing SME targeted loan products.
- Developed activity plans for the transformation of three microfinance institutions (MFIs) to micro-deposit taking institutions (MDIs) and selected six MFIs on the verge of financial self-sufficiency (FSS) to receive intensive technical assistance and training to expand outreach and reach financial sustainability.
- Assessed regional market potential and opportunities for Ugandan dairy products through an in-depth dairy marketing survey of Kenya and Rwanda.
- At the request of the Uganda Coffee Development Authority, began a feasibility study for the establishment of four pilot wet processing facilities that would work with more than 1,600 new outgrowers.
- Held three extremely well-attended and well-received consultative and public awareness roundtables on alternative dispute resolution (ADR) for the business, judicial, and legal communities.

## SECTION I

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### Introduction

The USAID-financed Support for Private Enterprise Expansion and Development (SPEED) project is a three-year activity managed by Chemonics International Inc., in collaboration with Crimson Capital Corporation, Inc. and J. E. Austin Associates, Inc., under SEGIR Financial Services Task Order #805. SPEED's mission is to support the economic growth of Uganda, through the development and expansion of sustainable business opportunities in the MSME sectors.

Specifically, SPEED works with SMEs, MFIs, and commercial banks to strengthen their capacities so MFIs expand and move up-market while commercial banks move down to meet the financial needs of the "missing middle." The project works with BDS providers to offer quality and demand-driven services that address the business needs of microenterprises, SMEs, and agricultural enterprises. Finally, SPEED works in the policy arena to address constraints to microenterprise and SME development.

The expected results of SPEED are:

- Increased use of financial services by SMEs and agricultural enterprises;
- Accelerated commercialization of the MFI industry;
- Increased use of BDS by microenterprises and SMEs; and
- Improved policy environment for microenterprises and SMEs.

The SPEED project falls under USAID's Strategic Objective 7 (SO7), Expansion of Suitable Economic Opportunities for Rural Sector Growth. USAID's SO7 strategy places priority on assisting the Government of Uganda (GOU) reduce rural-based poverty by expanding economic opportunities. The expected outcomes of SO7 are: increased enterprise incomes for farm enterprises, community and producer organizations, micro- and SMEs (MSMEs), and industry-scale export sectors; and policy and institutional capacity that improves the enabling environment and allows Ugandans to pursue sustainable economic activities.

SPEED contributes directly to the expected outcomes of SO7 through its three technical components:

- Business Capacity
- Financial Services
- Business Environment

This report details the progress and accomplishments made by SPEED in the Key Results Areas (KRAs) defined for each of its three technical components, and program management, during the reporting period of July 1 to September 30, 2001.

## SECTION II

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### Business Capacity

The goal of SPEED's Business Capacity component is to increase the demand for BDS among MSMEs and MFIs, while increasing the flow of financial services to these same organizations. To achieve this goal, the project works to build opportunities and strengthen the organizational and institutional capacities of businesses and BDS providers. SPEED has identified the following three KRAs within this component:

- KRA 1: BDS Providers Strengthened
- KRA 2: Agribusiness Capacity Strengthened
- KRA 3: Capacity in Non-Agricultural Sectors Strengthened

Quarterly progress made in each Business Capacity KRA is discussed below.

#### **KRA 1: BDS Providers Strengthened**

SPEED seeks to increase effective demand for business development consulting services by working with selected BDS providers to improve the quality and customer value of services, and with SPEED clients to raise awareness that these services can increase their profitability.

**BDS roster.** In its first quarter, SPEED identified the core areas in which consultancy services are most likely to be needed to achieve project goals, and solicited proposals from Ugandan consulting firms and consultants with expertise in: enterprise development, SME finance, micro-finance, Information and Communication Technology (ICT), quality assurance, research and development, and training.

During this second quarter, SPEED continued with the development of its BDS roster, focusing on:

- Screening the applicants and establishing a shortlist under each core area of consultancy services. Over 250 consulting firms, consultants and other business development service providers submitted applications.
- Identifying consultants from the roster in the areas of feasibility studies, fish processing, dairy, coffee, and sector development to perform work for SPEED.

This process is ongoing, with the next steps of ranking the proposals, finalizing the roster, and identifying the providers' specific skills and training needs already underway.

**Uganda Institute of Bankers.** Working to strengthen the capacity of the Uganda Institute of Bankers (UIB), a key BDS provider, SPEED ensured that UIB played a major role in its SME Lending Training Program. Conducted by Shorebank Advisory Services, the program was designed specifically for the lending environment in Uganda, using localized materials and subjects. In addition to 21 bank staff, five trainers from UIB participated in the course. Following its successful completion, these five individuals attended a two-day training of trainers session. Using proven training methodologies, Shorebank assigned each of the five attendees one topic covered in the earlier SME

Lending Program. Each participant then prepared materials and “trained” the instructors and the rest of the group in the particular topic assigned.

Capacity building of the UIB trainers was key to this event, as UIB will now assume responsibility for presenting the SME Lending Program. SPEED will work closely with UIB to ensure that the skills of its staff continue to be developed, and that future trainings in this area and others will be successful.

**Sector associations.** Additional activities during this quarter included technical needs assessments of the following export-oriented sector associations:

- Uganda Coffee Farmers Association,
- Uganda Coffee Traders Association,
- Uganda Manufacturing Association, and
- Uganda Leather and Allied Industries Association.

The results of these needs assessments will guide SPEED in further sector activities and plans, as it builds the capacity of these associations.

## **KRA 2:           Agribusiness Capacity Strengthened**

SPEED’s work in agriculture focuses on the expansion of business capacity. Using a sector focus approach, SPEED works closely with the USAID Competitive Enterprises and Trade Expansion (COMPETE) project in activities related to coffee, cotton, and fish. As SPEED works in additional sectors as well, considerable effort in this reporting period was placed on sector evaluations and assessments. Through this process, the project selected dairy, fish farming, and sugar as additional focus sectors, because of their export potential and the involvement of many small farmers. In addition to these areas, honey, hides and skins, leather, and meat processing will also receive attention in the coming months. Quarterly progress made in each key sector is discussed below.

**Coffee.** SPEED’s activities in the coffee sector are focused on improving the quality of coffee, as coffee farmer income and Uganda’s foreign exchange earnings could increase substantially with an increase the quality of Ugandan coffee.

SPEED cost-shared a coffee business analysis and quality improvement plan for the largest private coffee producer in Uganda. SPEED will likely support implementation of the plan beginning in the next quarter. The producer is a leading figure in the coffee sector (subsequent to completion of our work, named the new Chairman of Uganda Coffee Development Authority) and demonstrated success with this producer in improving the quality of his coffee, the profitability of his farm, and the incomes of outgrowers will increase the likelihood of replication.

The Uganda Coffee Development Authority (UCDA) asked SPEED to conduct a feasibility study for the establishment of four strategically located wet mill processing centers owned and operated by private sector investors. The resulting program will bring on more than 1,600 new outgrowers who will receive planting material and technical support and assistance. After implementation, the four pilot processing facilities will be used as models for replication throughout the country. A consultant has been identified for this study, which will commence shortly using a Scope of Work

prepared by SPEED. This initiative is key to the UCDA long-range coffee development program, with which SPEED will be heavily involved.

**Cotton.** SPEED's strategy to assist in the development of the cotton sector consists of both short- and long-term initiatives. In the short-term, the focus is on the ginneries, which export 90% of their production. SPEED has prepared a Scope of Work for a technical audit of these facilities, which will be followed by a study to determine the marketing issues involved in expanding the exports of cotton bales, and the financing needs of the different sector players. The findings of this study will be used to identify business opportunities for SPEED, particularly in the ginning sub-sector. Specifically, SPEED will support ginners who are prepared to work with farmers to increase cotton production. Most ginners currently buy cotton from middlemen rather than directly from farmers or farmers' organizations.

In addition to efforts at the sectoral level, SPEED began work with selected ginners and textile firms. SPEED assisted Ladoto Ginneries, a new facility under construction, to identify the finance needed to complete the ginnery, and to revise its financial projections in view of the decreasing world price for cotton lint. SPEED is now assisting Ladoto raise the additional finance needed to complete construction of its facility.

Two additional ginneries, both co-operative unions with large farmer networks, requested assistance from SPEED to improve their managerial and technical capabilities. SPEED conducted an assessment of their needs, particularly in terms of revitalizing commercial relationships with farmers, and will begin providing technical assistance in the next quarter. One of the unions produces organically grown cotton, which it exports and sells to a local textile mill. This textile firm, a producer of organic garments, has been identified separately as a SPEED client.

In the long-term, fabric and garments, mainly for the export market, will consume an increasing amount of cotton. SPEED identified two firms with which it will work on long term cotton sector development activities: a spinning and weaving firm, and a garment-manufacturing firm. Both are planning to enter the export market, and SPEED will support a regional market survey in the next quarter to assist them in defining their activities. The spinning and weaving firm is also seeking to improve fabric quality, to ensure that it will meet the high standards for garments in overseas markets, particularly in the U.S. where the African Growth and Opportunities Act (AGOA) offers opportunities.

**Fisheries.** Working to develop and implement market-linked fisheries pilot projects, SPEED prepared a Business Development Plan for the sector. This document presented an extensive outline of the activities to be undertaken, which focus on:

- Developing support programs to improve production value, quality, and market opportunities for the existing fisheries harvest;
- Increasing business opportunities for MSMEs;
- Developing a model landing site appropriate for remote island fishing areas;
- Facilitating access to financing for producers, collectors, and processors; and
- Providing support to strengthen sector intermediaries, if and as necessary.

SPEED recruited a local expert to facilitate the implementation of its fisheries sector development strategy. Through the work of this consultant, and SPEED staff, the project made significant advancements in its fisheries sector activities.

SPEED is cost-sharing the preparation of a business plan and bank financing proposal for a quiet fish processing plant in Entebbe, formerly owned by Clovergem, Ltd. Revival of the plant will contribute to a significant increase in the amount of processed fish available for export as well as the addition of over 100 jobs.

With private sector partners, the project finalized an action plan for the development of two model landing sites in Lake Victoria, which will be developed in a remote island location, and on the mainland, respectively. The remote island landing site will serve an estimated 400 boats and 8,000 families and will be linked to a fish processor-owned landing site on the mainland. Establishment of these sites is critical to SPEED's fish sector strategy, as they will provide models that can be replicated in other areas. Proper maintenance of the sites, which will contain landing structures, sanitation, water, and ice storage facilities, will result in improved quantity and quality of fish catch.

Working with COMPETE, SPEED prepared a program to identify the EU market for value-added fish products. In another key activity, SPEED initiated a plan to implement a web development strategy. Conducted in collaboration with the Uganda Fish Processors and Exporters Association, this initiative will allow the industry to provide up-to-date information to overseas buyers, government officials, and decision makers.

In collaboration with sector stakeholders, SPEED finalized an action plan for a post harvest losses survey in Lake Victoria. It has been estimated that up to 30% of production is lost through poor post harvest handling of raw materials and a reduction in these losses could contribute to increase foreign exchange and earnings at all levels. Finally, the project worked with fish processors and stakeholders to prepare for ISO 9001-2000 certification.

**Fish farming.** After identifying the fish farming sub-sector, as separate from traditional lake fishing, as an additional key focus, the project conducted a sub-sector study to determine the appropriate interventions to explore. As part of this study, SPEED identified sub-sector stakeholders and initiated informal group meetings. SPEED also prepared a business development plan for fish farming that will guide the project's activities in this area. In addition, the project established contacts with fish farmers to design appropriate technical assistance programs. Further work included initiating discussions with stakeholders regarding the development of a training program in commercial fish farming, and supporting the development of market strategies.

**Dairy.** The SPEED sector working group for dairy, which includes representatives from Land O' Lakes, Heifer Project International, private enterprise, and the financial community, directed a market survey of dairy products in Kenya and Rwanda to provide the industry with a basis for potential expansion of domestic and regional sales of Ugandan milk. Through this survey, SPEED assessed market potential and opportunities for Ugandan processors in Kenya and Rwanda, and examined successful processing and marketing practices that could be replicated. SPEED, in cooperation with Land O' Lakes, scheduled a workshop to present the results to the industry on October 12, 2001.

SPEED prepared a Scope of Work for a marketing plan for a potential regional exporter of ultra high temperature (UHT) milk. Through the program under consideration, SPEED anticipates the sale of 150,000 liters of UHT per day under a co-packaging arrangement with Dairy Corporation. This organization currently operates at less than 45% capacity, but has an extensive supply network that SPEED will help advance in the marketplace with this intervention. Work on the marketing plan and follow-up activities will continue during the next quarter.

**Other agribusiness sector work.** In the sugar sector, SPEED is working with Kinyara Sugarcane Growers Ltd., a commercial company owned by 650 outgrowers, that supplies the Kinyara sugar factory with 30% of its sugarcane requirements. Owned by the GOU, the factory has been managed privately since 1994. The farmers asked for SPEED assistance to transition to a more commercial organization that takes management responsibility for the delivery of agricultural contracting and extension services to its members. SPEED worked to finalize the details of a technical assistance program that will focus on building management capacity in Kinyara Sugarcane Growers Ltd., improving sugarcane yields, and increasing incomes of rural farmers.

SPEED's intervention comes at a time when the sugar factory has declared its first dividend in 25 years, and is looking to privatize and expand its processing capacity by 50%. The factory plans to buy all additional sugarcane from the outgrowers, who will have to increase their sugarcane production by a factor of 2.5. Currently, Uganda imports 25% of its sugar requirements, with three sugar factories (including Kinyara) producing the balance of 75%. Therefore, SPEED's intervention with the outgrowers is well timed. It is also supported fully by the factory.

Contacts were established with a tea production enterprise to identify market-linked opportunities for value added tea products. Work in the hides and skins sector included identifying business development opportunities, and organizing a meeting of sector stakeholders. In the poultry sector, an agreement has been reached in principle with a major poultry producer to support training programs for small producers in business skills, proper husbandry, feeding, and marketing. Finally, working with banks and existing and potential customers, SPEED introduced cash flow based lending techniques and proper agricultural loan structuring concepts.

### **KRA 3: Capacity in Non-Agricultural Sectors Strengthened**

SPEED conducted an evaluation of potential non-agricultural focus sectors for the development of market-linked, bankable business opportunities for MSMEs. Through this evaluation, the project identified four sectors: textiles and garments, fish farming, packaging, leather, and hides and skins. In its efforts, SPEED worked with an international consultant, partner organizations, and various stakeholders to prepare business development plans for each of the four sectors.

In addition, SPEED conducted extensive discussions with private sector enterprises and identified the following market-linked initiatives to investigate further during the next quarter:

- A market strategy to assist a local meat processing plant with export activities;
- A market development strategy for special packaging material for fish exporters;

- A local market study to examine options for import substitutions of textiles; and
- Targeted training for garment manufacturers.

In other sectors, SPEED worked on technical assistance interventions with firms that manufacture safety shoes and maize flour. In addition, the project began a preliminary evaluation of the expansion plans of an ICT firm. Finally, an application for assistance by a firm planning to produce agricultural lime was reviewed, but subsequently rejected because of viability and environmental considerations.

## SECTION III

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### Financial Services

The objective of the Financial Services Component is to increase access to financial services by MSMEs. Targeted within this component are commercial banks, MFIs planning to transform to MDIs, MFIs seeking to reach FSS, SMEs, and financial sector associations.

The two KRAs within this component are:

- KRA 1: MSME Financing Increased
- KRA 2: MFIs Commercialized

Quarterly progress made in each KRA is discussed below.

#### **KRA 1: MSME Financing Increased**

**SME lending training program.** In a recent SPEED assessment of the training needs of commercial banks in Uganda, the banks emphasized their continuing need to upgrade the general banking skills of their staff. The banks made it clear that lending to SMEs is particularly difficult due to the normally inadequate information provided by these enterprises, their lack of credit history, and inadequate security for loans. In response to the difficulties faced, a number of commercial banks requested training in SME lending techniques.

SPEED engaged Shorebank Advisory Services to design and deliver an SME Lending Training Program and training of trainers for Uganda's top commercial banks. Focusing on lending decisions and loan portfolio management in an SME environment, Shorebank utilized Uganda-specific case studies and training materials. The program was organized in conjunction with UIB, and was attended by 21 staff members from various banks involved in SME lending. The approach was a practical one, taking into account current lending conditions and the difficulties of appraising loan applications in the absence of complete information.

Five bank trainers, employed by UIB and the banks, also attended the five-day course. These same individuals then participated in a two-day training of trainers program, also conducted by Shorebank, which used innovative training methodologies and focused on key SME lending topics. The response to both programs was overwhelmingly positive.

Working together, SPEED and Shorebank have begun to develop a follow-up process, to ensure that the trainings continue to have value and are reflected in the work of the bank credit officers who attended. Specifically, SPEED is interested in whether these individuals are using their skills to appraise more SME loans. The process will be further developed, and implemented, in the upcoming quarter. In addition, SPEED will work with Shorebank to conduct an additional SME Lending Training Program, for a new group of participants. This training will be advertised to the overall banking community, but SPEED will reserve several spaces for targeted banks. An additional training of trainers course for bank training staff will follow this program.

**DFCU Leasing.** Working to assist banks with the development and delivery of innovative service packages for SMEs, SPEED reached agreement with DFCU Leasing to support the establishment of three upcountry branches, to provide leasing services to local businesses. Leasing is a very attractive financial product as it is the only source of medium term financing (3-5 years) available to business. DFCU Leasing is the only formal financial institution offering this product and one of the few financial institutions aggressively pursuing the SME sector.

DFCU Leasing believes the SME sector has tremendous potential and they are interested in expanding their exposure to this sector by 100% per year or more. Although DFCU believes there is considerable potential up-country, the cost of establishing and operating through break-even up-country offices is delaying the establishment of new offices. SPEED's agreement with DFCU includes cost-sharing for establishment and operating costs of up-country branches and will result in the increased availability – in rural areas and in the near term - of a financial product appropriate for the needs of SMEs. SPEED anticipates finalizing this agreement in the next quarter.

Additional benefits of SPEED's support to DFCU include: more effective appraisal of potential lessees, more cost-effective monitoring of existing clients, increased access to banking systems and improved culture of savings among the rural population, improvement of incomes in rural areas, and increased opportunities for employment.

**Loan Guarantee Program.** SPEED is working with the Development Credit Authority (DCA) and USAID/Uganda to launch a loan guarantee program. SPEED has developed a close working relationship with the commercial banking community in Uganda and there is considerable interest on the part of the banks in working with the project. The banking environment in Uganda is becoming increasingly competitive and many banks are interested in looking to the SME market for new opportunities. SPEED's package of services including BDS and after care for clients, training for bank staff in SME lending techniques and a loan guarantee program to reduce collateral concerns is viewed by bankers as particularly attractive.

DCA and SPEED staff met senior bank executives in July and August for detailed discussions on the guarantee program. After analysing the banks interested in participating, DCA and SPEED decided to limit participation to seven banks: Centenary Rural Development Bank, Stanbic, Standard Charter Bank, Nile Bank, Citibank, Barclays Bank, and Allied Bank. The banks will share in approximately \$20 million in loan guarantees. Loan guarantee authority has been approved by DCA, and program commencement is anticipated before year-end 2001. In the next quarter, SPEED will work with the Mission and the banks to complete the contracting arrangements. USAID/Uganda has asked SPEED to play a promotional, management, and monitoring role in implementing the program.

The DCA office in Washington DC sees the design of this guarantee facility as particularly innovative and is optimistic – as is SPEED and USAID/Kampala - that it will result in an increased volume of loans to SMEs and an increased number of formal financial institutions serving this sector.

## **KRA2: MFIs Commercialized**

SPEED's microfinance work focuses on providing assistance to two groups of MFIs selected from the top 12 MFIs in Uganda. The first group consists of the MDI candidates, those MFIs that are ready to begin transformation and are awaiting the passage of the MDI legislation by parliament. The second group is made up of the FSS candidates, those MFIs that are close to being financially self-sufficient and have plans to eventually transform, but need assistance to reach full FSS.

**Transformation of MDI candidates.** In this quarter, SPEED developed activity plans, budgets, and timelines for the transformation of the three MDI candidates: FINCA/Uganda, Uganda Women's Finance Trust (UWFT), and Uganda Microfinance Union (UMU). A draft Memorandum of Understanding (MOU) was produced and discussed with each respective MDI candidate. The MOU for UMU has been postponed until the completion of a short-term consultancy to develop a thorough transformation plan. Representatives from ACCION and Shorebank Advisory Services were engaged and Scopes of Work finalized for this work. The assignment will be carried out in the upcoming quarter and the transformation plan and budget for UMU finalized. A draft MOU will be written once the final budget is in place.

**Selection of FSS candidates.** SPEED issued an RFP for FSS candidates during this quarter. Based on previously developed criteria, six of the eight MFIs that submitted proposals were selected. As the first step in developing MOUs with the six FSS candidates, SPEED initiated needs assessments to determine the amount and type of assistance required by the MFIs to help them achieve financial sustainability. During the needs assessment process, SPEED focused on identifying a minimum of eight workshop topics that could be developed and delivered to the FSS candidates during the life of the project.

**Technical assistance.** A significant part of SPEED's work with the nine selected MFIs is capacity building through training and technical assistance. As often as possible, SPEED will prepare and deliver workshops relevant to all MFIs with which it works. Each time a workshop is offered, SPEED will engage an international consultant to develop and lead the training and a local consultant to assist and learn from this individual. As a result, the local consultant will then be in a position to offer the same training to other MFIs. This will build local capacity, and ensure that SPEED has much wider outreach. To this end, SPEED issued RFPs to international and local consulting firms to develop and deliver two workshops, on product costing and asset-liability management, respectively. These workshops will be delivered during the next quarter.

The majority of MFIs with which SPEED works have expressed the need for assistance with the development and maintenance of adequate management information systems. During this quarter, SPEED identified and reviewed a number of banking software packages for MFIs. Ultimately, SPEED plans to purchase software for some of the selected MFIs. As the amount of funding required for these purchases is fairly substantial, a significant amount of research will be necessary before final decisions are made.

**Microfinance sector support.** In addition to working with the nine top MFIs, SPEED also supports the efforts of the Association of Microfinance Institutions of Uganda

(AMFIU). This quarter SPEED agreed to provide AMFIU with office space in the UIB building where the SPEED microfinance unit is located. In addition, SPEED agreed in principle to support a position within AMFIU to coordinate and maintain a database on the supply and demand of capacity building efforts for microfinance in Uganda. This will be developed further during the next quarter.

As an active player in the microfinance industry in Uganda, SPEED participates in various industry-wide discussions, the most relevant of which is the Uganda Capacity Building (UCAP) framework. SPEED focused its efforts this quarter on positioning itself with regard to UCAP and influencing the structure and components of the overall framework. In particular SPEED provided substantial edits to draft documents to ensure that existing institutions implement activities identified under UCAP.

## SECTION IV

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### Business Environment

The overall objective of the Business Environment component is to create a more business friendly environment that enhances the ability of MSMEs to obtain financing and become engines of growth in Uganda. The goals and deliverables related to this component were determined by the GOU and set forth in the Strategic Objective Implementation Letter. SPEED has identified one KRA in this area:

- KRA 1: Public and Private Sector Capacity Enhanced

#### **KRA 1: Public and Private Sector Capacity Enhanced**

Within this KRA, SPEED seeks to improve the efficiency and operations of CADER, the Land Registry, the Company's Registry, and the Ministry of Finance, Planning, and Economic Development (MOFPED). Quarterly progress made in each of these efforts is discussed below.

#### **CADER**

Focusing on increasing the use and acceptance of alternative dispute resolution (ADR) and the swift and efficient transfer of cases from the Commercial Court to CADER, SPEED continued to hold meetings and discussions with stakeholders and decision makers related to court reform in Uganda.

**Transfer of cases to the Commercial Court.** In August, SPEED developed a comprehensive action plan for cooperation between CADER and the Commercial Court, which included the actual steps required for the movement of cases. In addition, this plan discussed the need to survey current cases at the Commercial Court to determine those that are suitable for diversion to CADER and the application of ADR techniques.

The action plan also set forth the need for a practice directive to judges with respect to ADR, and the need to develop a methodology for the authorized efficient transfer of cases. The project's efforts bore fruit with an invitation from the Chief Justice of Uganda and the Principal Judge to the Project requesting that SPEED draft the necessary changes in the Rules of Procedure and Regulations required pursuant to the Arbitration and Conciliation Act of 2000. Further, in September 2001, SPEED became a recognized member of the Bar Bench Committee on Court Administration and has hosted the last two meetings of this committee.

SPEED and the GOU Court Management Advisor worked during August and September to complete the initial Commercial Court Backlog Survey. The resulting document contains information on each matter within the case backlog, and provides contact information for the parties involved. The next step will be to contact the individuals in the appropriate cases to discuss the option of their voluntarily diverting their cases to ADR through CADER.

**Alternative dispute resolution (ADR).** SPEED made significant progress with respect to facilitating the acceptance of ADR in Uganda by sponsoring three major consultative

and public awareness roundtables for the private sector, judiciary, and the Ugandan bar. These roundtables were conducted by the International Law Institute of Uganda (ILI-Uganda), and were moderated by internationally respected mediation and arbitration expert Rick Weiler of ILI-Uganda and Dr. Samson Sempasa, Executive Director of CADER.

The private sector roundtable, sponsored by the Uganda Manufacturers Association and the Private Sector Association, was held on September 25. Response from the private sector was overwhelming and more than 100 individuals attending the daylong meeting. Due to the project's strong positive relationship with the GOU, the Chief of Civil Litigation of the Attorney General's Office agreed to speak at the roundtable. Evaluations were very positive, and the event received extensive television and press coverage.

On September 27, SPEED hosted a roundtable for members of the Ugandan bar, to discuss proposals developed by the project relating to the implementation of ADR. This roundtable was planned as an extension of the August Bar Judiciary roundtable, and was sponsored by the Uganda Law Society. More than 65 practicing attorneys attended the meeting. Again, because of the project's strong positive relationship with the GOU, the former Chief Justice of Uganda opened the roundtable and the Solicitor General of Uganda made remarks. Evaluations submitted by participants were overwhelmingly positive.

SPEED hosted a consultative roundtable on September 28, for senior members of the Ugandan judiciary and those judges and lawyers directly involved with court administration. Attendees included the Chief Justice of Uganda (who opened the meeting), members of the Bench Bar Committee on Court Administration, all judges serving on the Commercial Court, the Acting Chief Registrar of the High Court, and the Deputy Registrar of the Commercial Court. The meeting was held to obtain the views and cooperation of the judiciary with respect to implementation of ADR, review SPEED's proposals, and discuss implementation of a Commercial Court ADR Pilot Project designed to divert cases to CADER.

The judiciary enthusiastically supported SPEED's proposals and recommendations with respect to the implementation of ADR and the Commercial Court ADR Pilot Project. The Chief Justice of Uganda remarked that it was refreshing to work with an entity that produced concrete proposals rather than merely submitted a report. Moreover, the judiciary accepted SPEED as a trustworthy and knowledgeable partner with respect to ADR implementation. At the end of the conference, judges from the Commercial Court invited SPEED and CADER to their chambers to review case files, with a view toward selecting cases for potential diversion to CADER and as examples in SPEED's arbitration and mediation training to be held in the next quarter.

**CADER business plan.** In cooperation with the Executive Director of CADER, SPEED drafted the CADER Business Plan and presented it to the Board of Directors. The Business Plan included a program to allow CADER to move cases from the Commercial Court through incentive payments for filing fees. The document provides for enhanced corporate governance and sets forth an ambitious two-year program that will result in CADER's self-sufficiency. The Board of Directors provided comments on the Business Plan, which is scheduled for finalization during November 2001.

## **Land Registry**

SPEED developed a detailed workplan for the rehabilitation of files at the Land Registry. In addition, the project worked with the Ministry of Water, Lands and Environment to develop a comprehensive workplan for the creation of the Kampala District Land Office pursuant to the Land Sector Strategic Plan (LSSP) drafted by the GOU.<sup>1</sup> SPEED also identified and worked to correct legal impediments preventing implementation of the LSSP and the reform of the land registration system.

SPEED staff and short-term consultants drafted extensive reports setting forth the methodology and timing for rehabilitation of records in the Land Registry, and provided copies to counterparts, decision makers, and stakeholders for their review and comment<sup>2</sup>. Further, the project developed a commodities and consumables list for its activities in the registry.

Currently, SPEED is working with the GOU on resource allocation and roles and responsibilities with respect to implementation of the project's workplan for the registry and the creation of the Kampala District Land Office. Once agreement is reached, a memorandum of understanding will be developed and executed.

## **Company's Registry**

During this quarter, SPEED engaged short term consultants, a Company's Registry specialist and an archivist/records management specialist, to develop a detailed workplan related to the rehabilitation, indexing and transfer of files in both the Company's Registry and the Document Registry; and to rationalize the legal basis for registry operations. A report setting forth the project's recommendations and a comprehensive workplan were drafted in September 2001. SPEED provided the Registrar General's office with a copy of the report and met with the staff to receive comments and suggestions.

Work at the Registrar's General's office is complicated by the fact that the office is tentatively scheduled to move in December 2001. This creates numerous challenges with respect to the transfer of files within the Company's Registry and the Document Registry. Further, the design for the new office space must be completed at least 30 days prior to the move. SPEED is working with the Acting Registrar General and the Undersecretary for the Ministry of Justice and Constitutional Affairs to finalize plans and devise a strategy to successfully meet the challenges associated with this move.

## **MOFPED**

To coordinate efforts with other donors, SPEED held numerous meetings regarding the support of the Private Sector Development Unit of MOFPED. Further, SPEED worked

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<sup>1</sup> The GOU recently embarked on a bold decentralization plan for land registration and land reform as set forth in the LSSP. This plan calls for the creation of 18 "zonal" land offices that will take over the activities and responsibilities of the central land registry. Accordingly, SPEED has taken the lead with respect to implementation of the LSSP, which schedules the Kampala District Land Office as the first "zonal" land office created.

<sup>2</sup> Copies of the reports were also provided to USAID/Uganda.

with a GOU-engaged short-term consultant to draft a joint plan to assist the unit improve its data flows and quality of information.

SPEED continued to assist MOFPED in its efforts to improve its access to economic data on MSMEs. To this end, the project drafted a Scope of Work for an international economist with expertise in government economic statistics, and will pair this consultant with a local economist in order to maximize results.

The Business Environment component has faced considerable unanticipated challenges in its work, the most significant of which has been the general lack of capacity within the GOU to fund and implement long-term institutional reform. Although the GOU selected and determined the goals for the component and has supported its efforts, it has not evidenced the focus and ability to make the decisions required to implement the project's workplans. This situation is further complicated by the fact that the GOU is going through significant changes with respect to organization and procurement. These challenges, however, have not prevented the project from accomplishing the goals and milestones set forth in its 2001 workplan. Rather, SPEED has made great progress with respect to its work with CADER, the movement of cases from the Commercial Court, and the Company's and Land Registries.

## SECTION V

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### Program Management

Program Management is integral to every SPEED component and activity. To achieve project goals, well-defined policies and procedures, transparent information-sharing mechanisms, and effective monitoring and reporting systems are necessary. The KRAs established for the Program Management area are:

- KRA 1: Coordination Mechanisms Established
- KRA 2: Efficient Administrative Support Provided
- KRA 3: Information Transparency Achieved
- KRA 4: Program Monitoring and Reporting Needs Met

Quarterly progress made in each KRA is discussed below.

#### **KRA 1: Coordination Mechanisms Established**

SPEED continued its bi-weekly meetings with COMPETE, IDEA, and the Trade Capacity Project, to share information, review progress, coordinate efforts, and discuss upcoming opportunities. In addition, SPEED's Chief of Party met weekly with COMPETE's Chief of Party, and SPEED technical staff continued to play an important role in COMPETE's sector working groups on coffee, cotton, and fish. All staff involved in these efforts updated the entire SPEED team regarding developments and work with these organizations.

SPEED staff worked to identify professional firms and contacts to assist with the project's communications strategy and public relations. Chemonics' Home Office provided an initial review of communications and promotional documents, and will continue to provide assistance as the project completes the development of its communications strategy and puts it into place.

#### **KRA 2: Efficient Administrative Support Provided**

SPEED project management staff continued to revise and update the Policies and Procedures Manual, taking into consideration SPEED-specific needs and goals. This will be an ongoing activity throughout the project as systems are perfected. SPEED's project management staff also conducted trainings for individuals and small groups in the various administrative management tools that are used in the day-to-day operations, including administrative forms and procedures.

During this quarter, SPEED management continued to evaluate staffing needs, to ensure that the technical team is provided with the support it needs to reach project goals. This is a critical activity, which will continue throughout the life of the project. As a result of the evaluation this quarter, SPEED hired one additional support staff member, to work in the microfinance area.

**KRA 3: Information Transparency Achieved**

The SPEED intranet prototype website has been published on the SPEED server. Continuous improvements of the intranet website will be made, based on input from users, to ensure that the site is constantly evolving and is always relevant. The Information Technology Specialist conducted one-on-one sensitization with staff on best practices on the use of the internet and intranet to perform their duties towards the fulfillment of project objectives. Extra measures in the form of installing patches to protect the Intranet were performed in order to minimize downtime and keep the flow of information constant within the SPEED project, and to partner organizations and clients.

**KRA 4: Program Monitoring and Reporting Needs Met**

SPEED completed its performance monitoring plan (PMP) and submitted it to USAID during this quarter. In addition, the project finalized its monitoring and evaluation (M&E) system, and the M&E Specialist began work to train project staff in its use. The M&E Specialist, working with the project technical staff, defined and developed performance monitoring indicators for the PMP. The various data elements of the M&E system were determined and database spreadsheets were designed, developed, and implemented for each technical component. Inputs from staff were assembled, and performance monitoring indicators synthesized from the various data elements to provide overall quality control of the PMP and the M&E system. Data collection forms/formats for collecting baseline data from the SPEED-supported MSMEs, MFIs, banks, and BDS providers were designed and are ready for use.

SPEED will continue to review and improve the M&E system, data collection forms/formats, and database spreadsheets during the next quarter. Staff training on the M&E system will continue in the next quarter, and the project will operationalize its monitoring and reporting system.

## **SECTION VI**

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### **Fixed Price Contracts**

To achieve the desired results during this reporting period, Chemonics' SPEED project conducted six activities using fixed price subcontracts. These are discussed below.

#### **C. K. Kutty**

Nanga Farms, the largest commercial coffee plantation in Uganda, is recognized as a leader in the development of outgrower schemes for coffee production and processing. With the encouragement and technical support of USAID-funded donor projects, Nanga Farms sought assistance to expand its processing and production capacity. The expansion program is expected to bring on more than 100 new outgrowers who will be supplied with planting material, technical support and market opportunities, which will have the potential of significantly increasing farm income.

This initiative required a thorough analysis of the proposed project that included a determination of costs, timing, cash flow projections, numbers and location of potential outgrowers, and working capital requirements. At the same time, a thorough review of Uganda's current position and ultimate potential in the world coffee market was also needed to provide guidance in project implementation.

SPEED engaged C. K. Kutty to conduct the analysis of the proposed expansion under a fixed price contract. Using the findings of his analysis, he developed a detailed business plan for the project that included: three years projected budgets and cash flow statements; budgets for purchase, delivery, installation, and the initial operation of equipment and facilities; and details of current and projected outgrower numbers. Mr. Kutty also presented SPEED with a thorough discussion of marketing plans and market potential, and detailed extension service and management staffing plans.

#### **International Law Institute (ILI)-Uganda**

To further its goals in the commercial justice arena, SPEED hired ILI-Uganda using a fixed price contract mechanism, to present three separate roundtables on ADR for the private sector, judiciary, and legal community. Internationally respected mediation and arbitration expert Rick Weiler of ILI-Uganda and Dr. Samson Sempasa, Executive Director of CADER, facilitated the sessions.

ILI-Uganda designed, prepared, and conducted the roundtables, which represented the highest standards in ADR and training. All of the sessions were well-attended and received significant media coverage. Course evaluations submitted by participants were overwhelmingly positive and SPEED is planning additional trainings in this area.

#### **Katende, Ssempebwa and Company Associates**

Many of SPEED's clients require financing and not all of them are able to provide the type of security required by banks or suppliers. As a collateral substitute, SPEED developed an interim loan guarantee mechanism funded through the project to provide

a catalyst in accelerating the activities of SPEED in its mission of facilitating extension of loans and credit.

The first of such opportunities came with the transaction between Sunshine Dairies Limited and Tetra Pak Limited, for which Chemonics International Inc. proposed to guarantee 75% of the purchase price of packaging materials sold by Tetra Pak Limited to Sunshine Dairies Limited over a period of six months.

To successfully complete the proposed transaction and guarantee, SPEED required the assistance of local commercial counsel to prepare legal documents. Although the transaction in question did not close, the legal documents and the research done are now available for future guarantee transactions.

### **PricewaterhouseCoopers Consultants Africa, Ltd.**

The SPEED project is charged with increasing the flow of capital and loans to the SME sector and to assist MFIs in expanding and commercializing their operations. Commercial bank participation is key to the accomplishment of this task but few SME business owners, and none of the MFIs, are able to provide the required real estate collateral. While there are many programs being developed by SPEED to provide banks sound business opportunities in the SME and MFI sectors, it is believed a Loan Guarantee Program is required to move banks from their traditional Kampala real estate based lending practices.

SPEED and USAID, through the DCA, will soon implement a \$20 million, ten-year guarantee facility, however, there is considerable interest on the part of the donor community as to whether a privately owned and managed Ugandan guarantee corporation is viable. SPEED engaged the services of PricewaterhouseCoopers Consultants Africa, Ltd. (PWC-Africa), through a fixed price contract, to conduct an assessment of the potential for a Ugandan financial sector loan guarantee corporation.

### **Aclaim Africa, Ltd.**

Inter-continental Investments Company, Ltd. has contracted for the purchase of the former Clovergem Fish and Foods Ltd. in Entebbe. Revival of this facility, which consists of a fish factory with a processing capacity of 50 tons per day, will result in job creation and increased export value.

Inter-continental Investment Company, Ltd. intends to access a medium/long-term loan from Stanbic Bank Uganda, Ltd. to pay off the balance of the purchase. In addition, the company will borrow funds from the Bank of Uganda's Development Finance Division under the Apex Fund Facility, for rehabilitation of the factory and as working capital. In order to access this financing, the company requested SPEED project assistance in the preparation of a bankable business plan.

SPEED engaged local consulting firm Aclaim Africa, Ltd. (Aclaim), under a fixed price contract, to prepare the business plan for Inter-continental Investment Company. Under this initiative Aclaim conducted a study to determine the machinery required for the rehabilitation of the plant, analyzed production capacity, designed an organizational structure, determined the availability of packaging materials, analyzed the local,

regional, and international markets, and developed a financial plan. Preparation of the business plan was cost-shared with the client on a 50-50 basis.

## SECTION VII

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### Financial Update

The following table presents an update on expenditures on the SPEED project through September 30, 2001.

Task Order #	Authorized Expenditure	Actual Expenditure to September 30, 2001	Balance	Estimated Completion Date	Actual Completion Date
805	\$17,490,212	\$3,947,568	\$13,542,644	December 31, 2003	N/A